

May 22nd, 1936.

A. S. Trotter, Esq.,
1402 Robson Street,
Vancouver, B.C.

Dear Mr. Trotter,

You must have given me up as lost to the C.C.F. cause. I am disgracefully late in answering your letters of January 1st., and February 25th. I will not attempt to make excuses, but as McGill has now finished another session I feel freer to devote myself to the problems you raise. I may say that some of the ideas I am about to put forward have been discussed by a number of us here, including Professors Forsey and Marsh, and therefore represent to some extent a consensus of opinion.

In the first place, it seems to us that the real job of social reconstruction can only be done from Ottawa; British Columbia, as part of the Dominion must remain subject to a great deal of Dominion control over matters that vitally affect its economic life. Amongst these are such important activities as Foreign Trade, Tariffs, Interprovincial Trade, Banking, Currency, Interest, Freight Rates, etc. No province can hope to create its own locally planned society by itself, as Mr. Aberhart now realises. From the point of view of the national C.C.F. movement this is a good thing; the greater the power of the Dominion, the more easily can national planning be introduced.

It follows, however, that a C. C. F. government in a province must act under great limitations. It cannot possibly expect to introduce a full socialist plan. Many things which must ultimately be done will be impossible without

Ottawa's aid. You will be compelled to plan your action within the field of what is constitutionally and economically possible. Such behaviour may not be very spectacular, and may disappoint some impatient members of the party, but then we have to avoid any "infantile disorders" and doctrinaire deviations to the left. Unless you are going to be drastic and use force to hold the people in subjection while you remake the social order over their heads, you will find yourself, I feel sure, obliged to proceed in such a way as not to dislocate the whole economic fabric at once. That has been the experience of Sweden and Denmark and it will also be true, I think, of Spain and France.

Even when this general limitation has been admitted, however, there remains a very considerable field for provincial action. Mr. Connell's very thoughtful Budget speech of March 13th last (which I entirely agree with) showed how much there is which you could do that would be socialist in its nature and well within the limits imposed by the B.N.A. Act on your freedom of action.

Leaving these general ideas I will turn to the specific questions you have asked, which I shall try to answer as best I can.

First, in regard to monetary proposals.

I may as well say at once that we are unanimous in rejecting the Gesell plan. Even if we did not consider it inherently unsound, we would still be of the opinion that B.C. cannot have a separate money system of its own while remaining part of the Dominion. Trying to operate two currencies would create insuperable difficulties, and your government would flounder in a financial morass that would prevent it getting on with the job of reconstruction.

There is first the legal obstacle: I think it is pretty clear that the exclusive Dominion power over currency could not be overridden, and certainly the fact that the local currency was not tied to gold would not validate it. But the economic obstacles are even more insuperable. You would soon have two prices for goods, varying exchange rates with Dominion money, and a host of other problems. We are convinced that the adoption of such a policy, or indeed any other variant of the Social Credit idea, would lead to confusion and discredit, probably resulting in a swing back to the Right on the part of the people.

The alternative proposals in your letter of February 25th., appeal to us as being a much better course. These call for a) refunding and consolidation of debt, b) provincial banks, and c) broad taxation.

There seems no reason why you could not consolidate the province's debt, and issue consols at a lower rate of interest for existing bonds. The consols should have no maturity date, and would be callable at will of the government. This would release your sinking funds, and lower your interest charges. No doubt your legal power to compel conversion would be questioned, but I think you might succeed in justifying your action. Probably the Dominion would try to force you to accept the new Loan Council control, if it is ever set up, as a condition for assisting in the refunding; you would then have to weigh the issue very carefully. Once you submit to the Loan Council your freedom of borrowing would be subject to external control, though you would still be free to spend your revenues as you liked.

The creation of provincial savings banks would, we think, be useful. Their deposits would provide a certain amount of available capital. I do not think you can expect their cheques to form a sort of currency, however; whether you pay state employees by cheque on these banks or not the payee will tend to want cash, just as they do today if paid by cheque.

In any case we in Montreal very much distrust all fancy monetary schemes as a way out of the present debt situation.

A revised taxation policy would obviously seem to be desirable as part of the financial plan. By more emphasis on income tax and death duties, and a broadening of the general scheme of taxation, you should be able to increase revenue and social justice at the same time. In Sweden the income tax contains a small annual capital levy as well; the taxpayer pays on his total assessed wealth as well as on his income. I do not know whether you have considered the possibility of debt reduction through a capital levy; while sound as a Dominion policy, it may be open to question for a single province.

Sweden suggests another money raising proposition. The present Social-Democratic government there is planning to raise new revenue by socialising certain profitable trades. They already make money out of liquor and tobacco (the latter was made into a state monopoly by a conservative government to raise money for a pensions fund!) and are now considering a state monopoly of coffee, oil and gasoline. You probably have read the description of these enterprises in SWEDEN: THE MIDDLE WAY, by Marquis Childs. There must be certain such businesses in B.C. where the distribution costs are unnecessarily high, where money is wasted in competitive advertising, etc., and in which therefore the state could make a profit without raising the cost to the consumer.

As regards the socialisation of industry, I note you are considering socialising the mining and lumber industries. From this distance and without more data as to the set up and possible costs of operation, these enterprises I find it not easy to estimate the effects of this proposal. Obviously you would need the goodwill of the workers and many of the managerial staff to your plan, or you might suddenly find yourselves, like the Russians, in need of "foreign" experts. The first things socialised should be things which are the easiest to run, the most profitable, or the most necessary for the working out of your provincial plan. I do not believe a provincial C.C.F. government should go in for wholesale socialisation just for socialisation's sake in the first years of office -- particularly if it only obtains office with a small majority of the

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electorate. By encouraging consumers and producers co-operative societies, and by creating certain state trading monopolies, you could both raise money and start a flank movement on your provincial capitalism. The direct attack on individual industries must be undertaken sometime, but it clearly needs a firmly entrenched party, a secure backing in the electorate and a very carefully worked out plan of campaign.

I feel that this is a most inadequate reply to your earlier letters, but it may give you the direction of our thinking. If we have any further ideas I will take the liberty of sending them along to you, even though they may not be exactly in line with your problems. And please make any further use of us you care to; I will promise not to be so dilatory in my replies in the future.

Yours sincerely,

F.R.Scott.

Social Legislation and the B.N.A. Act

J.R. Scott . March 1936.

The problem here is to consider what kinds of social legislation can be made effective under the existing constitution, and to what degree amendments to the B.N.A. Act may be necessary if centralized control is desirable.

The term "Social Legislation" is used to cover those kinds of laws designed to protect the income, health, education, and economic security of the general population. More specifically, it includes such subjects as Unemployment Insurance, Old Age Pensions, Mothers' Allowances, Minimum Wages, Health Insurance, Workmen's Compensation, Maximum Hours, Factory Acts, Industrial Disputes, Education and Relief.

On every one of these subjects there are already laws on the Canadian statute-books or under consideration by legislatures. It will therefore be assumed that some legislation along these lines is desirable and necessary. The only matter for argument is therefore a question as to whether the Dominion or the Provinces should have the power to enact the legislation.

Subjects Which the Dominion Should Control

Some of the above mentioned subjects must obviously be of nationwide application if they are to be effective. Such are Unemployment Insurance, Minimum Wages and Maximum Hours. The argument for national control in these matters is based on the fact that the failure to adopt such measures by any province would enable that province to obtain a competitive advantage in the cost of manufacturing commodities which would soon make it impossible for the other provinces to maintain their schemes. In other words, the more backward province would attract new industries and would soon force down the standards in the more progressive province.

This does not mean of course that a Dominion Scheme would have to maintain absolutely uniform standards over the entire country. Variation could be permitted to suit local requirements, in the same manner as the Arcand Law in Quebec now permits variations of wage payments in the different economic zones of the province.

It will generally be agreed that the administration of relief and dole payments should also be a Dominion matter, partly because of the reasons advanced for Unemployment

Insurance, and partly also because it is a national problem that cannot be handled economically or efficiently by local authorities.

Two other subjects are already effectively under Dominion control. These are Old Age Pensions and Industrial Disputes. The Old Age Pensions Act has been adopted by all the Provinces except Quebec and New Brunswick (where it is enacted but not proclaimed), and the Industrial Disputes Investigation Act by all provinces except Prince Edward Island. As Quebec is certainly going to adopt the former Act, there is probably no need to disturb the existing statutes. Certainly as regards Old Age Pensions, the knowledge that if a province stays out of the scheme its citizens continue to pay for the support of aged persons in other provinces is sufficient to prevent them from refusing to co-operate.

It would seem therefore that the B.N.A. Act would have to be changed in order to make possible Dominion control of Unemployment Insurance, Minimum Wages, Maximum Hours and Relief, should the decision on the pending reference cases be adverse to the contention that these matters already belong to the Federal authority.

Matters Which May be Left in the Provincial Jurisdiction

Amongst provincial forms of social legislation, Education must obviously be left untouched. Provincial control here is more a racial and religious than an economic matter. At the same time it is interesting to note that the Dominion does in fact possess some control over education through its control of the Radio. It may be from this source, used in connection with adult education work, that the development of a national culture will be most fostered.

Workmen's Compensation should probably also be left as a provincial matter, although this may be open to discussion. Theoretically, as a considerable charge on industry, a national system with more or less uniform rates would ultimately be desirable. But the increased benefit resulting from Dominion control is probably not worth the political difficulty of attaining it. The same reasoning would seem to suggest that the Factory Acts should be left to provincial administration.

The subjects of Health Insurance and Socialised Medicine would probably best be left within the provincial jurisdiction. At the same time the Dominion obviously has a certain responsibility in the development of standards, the enactment of

*At present a
Provincial Bill
is operating in all
provinces except
P.E.I.*

pure food laws, the exclusion of immigrants with infectious diseases, and so on.

Mothers' Allowances are ~~only~~ provided for at present in *all provinces* ~~Ontario~~. Logically, such payments should be under the same administration as the Old Age Pensions and Relief schemes, but the matter is possibly of minor importance.

*except Quebec,
New Brunswick (not
provincial) & P.E.I.*

EXCLUSIVE OR CONCURRENT POWERS

The new powers given to the Dominion will all be exclusively under federal control if they are simply added to the enumerated powers under Sec. 91 of the B.N.A. Act. It has been suggested that it would be preferable to add them to the concurrent powers under Sec. 95. In such a case the provinces are also free to legislate on the same subjects so long as their laws do not conflict with any Dominion enactments. This provides a greater degree of flexibility, and permits the more progressive provinces to impose higher standards.

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